

TOWNSHIP OF McMillan, MICHIGAN

FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name McMillan Township		County Luce
Audit Date 6/30/5	Opinion Date 9/16/5	Date Accountant Report Submitted to State: 9/30/5		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PLC			
Street Address 102 W Washington St, Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Michael A. S. CPA			

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

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MICHIGAN
ESCANABA
IRON MOUNTAIN
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MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and remaining fund information, of the Township of McMillan, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township of McMillan, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of McMillan, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Township of McMillan, Michigan at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2005 on our consideration of the Township of McMillan, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Honorable Supervisor and Members of the Township Board of Trustees
Township of McMillan, Michigan

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 9 and 31 through 32, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of McMillan, Michigan's basic financial statements. The combining and non-major fund financial statements and are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 16, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of McMillan's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole increased by \$83 as a result of this year's operations. Net assets of our business-type activities decreased by \$7,485, or 5 percent, and net assets of our governmental activities increased by \$7,568, or 1 percent.
- During the year, the Township had expenses for governmental activities that were \$575,435 and expenses for business type activities that were \$43,401.
- The General Fund reported a net fund balance of \$550,973. Net income was \$187,237 higher than the forecasted decrease of \$164,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- Business-Type Activities – The Township charges a fee to customers to help it cover all or most of the certain services it provides. The Wastewater Treatment Fund is reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 7. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 19. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of June 30, 2005 and 2004.

Table 1 Net Assets				
	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005	Total Primary Government – 2004
Current and other assets	\$2,237,339	\$5,898	\$2,243,237	\$2,211,819
Capital assets, net	133,023	269,680	402,703	415,159
Total Assets	<u>2,370,362</u>	<u>275,578</u>	<u>2,645,940</u>	<u>2,626,978</u>
Current liabilities	1,168,686	87,677	1,256,363	1,232,414
Noncurrent liabilities	-	52,897	52,897	57,967
Total Liabilities	<u>1,168,686</u>	<u>140,574</u>	<u>1,309,260</u>	<u>1,290,381</u>
Net Assets:				
Invested in capital assets, net of related debt	133,023	211,713	344,736	352,291
Restricted	-	7,968	7,968	8,045
Unrestricted (deficit)	<u>1,068,653</u>	<u>(84,677)</u>	<u>983,976</u>	<u>976,261</u>
Total Net Assets	<u>\$1,201,676</u>	<u>\$135,004</u>	<u>\$1,336,680</u>	<u>\$1,336,597</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Net assets of the Township's governmental activities stood at \$1,201,676. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,068,653.

The \$1,068,653 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$135,004. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005 and 2004.

Table 2
Change in Net Assets

	Governmental Activities - 2005	Business-Type Activities - 2005	Total Primary Government - 2005	Total Primary Government - 2004
Revenues				
Program Revenues:				
Charges for services	\$150,235	\$35,916	\$186,151	\$56,167
Operating grants and contributions	3,467	-	3,467	90,463
General Revenues:				
Property taxes	297,738	-	297,738	290,159
State Sources	92,433	-	92,433	121,831
Interest and miscellaneous	39,130	-	39,130	103,825
Total Revenues	<u>583,003</u>	<u>35,916</u>	<u>618,919</u>	<u>662,445</u>
Program Expenses:				
Legislative	32,361	-	32,361	29,334
Elections	4,935	-	4,935	803
General Services and Administration	346,775	-	346,775	340,935
Public Safety	23,414	-	23,414	47,728
Public Works	3,664	-	3,664	32,404
Community & Economic Dev.	164,286	-	164,286	191,413
Recreation and Culture	-	-	-	-
Other	-	-	-	-
Wastewater Treatment	-	43,401	43,401	46,034
Total Expenses	<u>575,435</u>	<u>43,401</u>	<u>618,836</u>	<u>688,811</u>
Excess (deficiency) before transfers	7,568	(7,485)	83	(26,366)
Transfers	-	-	-	-
Increase (decrease) in net assets	7,568	(7,485)	83	(26,366)
Net assets, beginning, as restated	<u>1,194,108</u>	<u>142,489</u>	<u>1,336,597</u>	<u>1,362,963</u>
Net Assets, Ending	<u>\$1,201,676</u>	<u>\$135,004</u>	<u>\$1,336,680</u>	<u>\$1,336,597</u>

The Township's total revenues were \$618,919. The total cost of all programs and services was \$618,836, leaving an increase in net assets of \$83. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the Township's governmental activities increased \$7,568 for the year ended June 30, 2005.

The Governmental Funds had a net income of \$8,077, reclassified capital outlay to fixed assets of \$6,424, and depreciation expense of \$6,933.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Business-type Activities

During the year ended June 30, 2005, the net assets of the Township's business type activities decreased by \$7,485.

Township business activities decreased by \$7,485. The reason for this is that we are not charging users for any depreciation charges.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 12 reported a *combined* fund balance of \$1,068,653 an increase of \$8,077 from the beginning of the year.

Governmental Funds increased by \$8,077. This is due to our new loans in the UDAG Fund being greater than the principal and interest received on existing loans of \$15,277, the general fund had \$20,433 more in revenue sharing and metro money payments than expected, leaving \$2,921 from all other activities.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

Amendments resulted in a zero change in overall equity.

With these adjustments, actual charges to expenditures were \$167,403 less than the final amended budget. Conversely, revenues were \$19,834 more than the final budget projection.

There were no changes from the original budget than the final amendments. Conversely there was no change from the original in revenues than the final projections. We had several immaterial budget amendments during the year.

The revenue and expenditures differences between final budget and the actual are made up of:

Revenues

- \$ 20,433 in higher state revenue sharing payments than expected
- \$ 8,325 less in cemetery services due to a lack of need services
- \$ 7,726 more from all other revenue activities.

Expenditures

- \$4,500 less for Assessor health Insurance, the new assessor is single vs. married for the previous Assessor
- \$4,000 less for Assessor Professional Fees, due to a project being postponed to future years.
- \$8,500 less for Clerk Professional Fees, due to a project being postponed to future years.
- \$7,000 less for Township Hall and Grounds Capital Projects, due from insurance company and manufacture paying for the replacement of the boiler systems.
- \$25,129 less for Fire Services, due to the fact the Village in behind in invoicing the Township for their share of the fire service expenditures.
- \$96,738 less for Street Improvement, due to the fact the Road Commission did not start the project until fall.
- \$2,202 from all other activities

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005 and 2004, the Township had \$402,703 and \$415,159 respectively invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities - 2005	Business-Type Activities - 2005	Totals - 2005	Totals - 2004
Land	\$51,750	-	\$51,750	\$51,750
Land improvements	-	-	-	-
Buildings and improvements	71,265	-	71,265	74,524
Equipment and furnishings	10,008	269,680	279,688	228,885
	<u>\$133,023</u>	<u>\$269,680</u>	<u>\$402,703</u>	<u>\$415,159</u>

The Township traded in a Mower with a value of \$5,764 (fully depreciated) for \$1,000 on the purchase of a new mower for \$6,424 (before trade in). The Township also record depreciation expense of \$ 6,933.

Debt

At the end of fiscal 2005 and 2004, the Township had outstanding debt of \$57,967 and \$62,868 and their Sewer System Facility.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending June 30, 2006 basically, the budget is the same for the year ending June 2005.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of McMillan, 405 Newberry Avenue, Newberry, MI 49868.

Township of McMillan, Michigan

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 953,633	\$ 2,328	\$ 955,961
Receivables (net)	1,283,706	3,570	1,287,276
TOTAL CURRENT ASSETS	2,237,339	5,898	2,243,237
Non-current assets:			
Land and construction in progress	-	-	-
Other capital assets	240,172	565,135	805,307
Accumulated depreciation	(107,149)	(295,455)	(402,604)
Total Capital Assets	133,023	269,680	402,703
TOTAL NON-CURRENT ASSETS	133,023	269,680	402,703
TOTAL ASSETS	2,370,362	275,578	2,645,940
LIABILITIES:			
Current Liabilities:			
Accounts payable	-	2,251	2,251
Accrued liabilities	-	79,631	79,631
Deferred revenue	1,168,686	-	1,168,686
Current portion of bonds payable	-	5,070	5,070
Other current liabilities	-	725	725
TOTAL CURRENT LIABILITIES	1,168,686	87,677	1,256,363
Non-current Liabilities:			
Compensated absences	-	-	-
Bonds payable	-	52,897	52,897
TOTAL NON-CURRENT LIABILITIES	-	52,897	52,897
TOTAL LIABILITIES	1,168,686	140,574	1,309,260
NET ASSETS			
Invested in capital assets net of related debt	133,023	211,713	344,736
Restricted for:			
Debt Service	-	7,968	7,968
Unrestricted	1,068,653	(84,677)	983,976
TOTAL NET ASSETS	\$ 1,201,676	\$ 135,004	\$ 1,336,680

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2005

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 32,361	\$ -	\$ -	-	\$ (32,361)	\$ -	(32,361)
Elections	4,935	-	-	-	(4,935)	-	(4,935)
General services and administration	346,775	12,211	-	-	(334,564)	-	(334,564)
Public safety	23,414	-	3,467	-	(19,947)	-	(19,947)
Public works	3,664	-	-	-	(3,664)	-	(3,664)
Community and economic development	164,286	138,024	-	-	(26,262)	-	(26,262)
Recreation and culture	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Governmental Activities	575,435	150,235	3,467	-	(421,733)	-	(421,733)
Business Type Activities:							
Wastewater treatment	43,401	35,916	-	-	-	(7,485)	(7,485)
Total Business Type Activities	43,401	35,916	-	-	-	(7,485)	(7,485)
TOTAL PRIMARY GOVERNMENT	\$ 618,836	\$ 186,151	\$ 3,467	\$ -	(421,733)	(7,485)	(429,218)

General Revenues:				
Taxes	297,738	-	297,738	
Unrestricted State sources	92,433	-	92,433	
Interest and investment earnings	36,611	-	36,611	
Miscellaneous	2,519	-	2,519	
Transfers	-	-	-	
TOTAL GENERAL REVENUES AND TRANSFERS	429,301	-	429,301	
CHANGE IN NET ASSETS	7,568	(7,485)	83	
Net assets, beginning of year	1,194,108	142,489	1,336,597	
NET ASSETS, END OF YEAR	\$ 1,201,676	\$ 135,004	\$ 1,336,680	

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2005

	General Fund	UDAG Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 435,953	\$ 512,382	\$ 5,298	\$ 953,633
Receivables	35,389	1,168,686	-	1,204,075
Due from other funds	79,631	-	-	79,631
TOTAL ASSETS	\$ 550,973	\$ 1,681,068	\$ 5,298	\$ 2,237,339
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-
Deferred revenue	-	1,168,686	-	1,168,686
TOTAL LIABILITIES	-	1,168,686	-	1,168,686
FUND BALANCE:				
Reserved for:				
Cemetery Trust Fund	-	-	5,292	5,292
Unreserved, reported in:				
General Fund	550,973	-	-	550,973
Liquor Law Fund	-	-	6	6
UDAG Fund	-	512,382	-	512,382
TOTAL FUND BALANCE	550,973	512,382	5,298	1,068,653
TOTAL LIABILITIES AND FUND BALANCE	\$ 550,973	\$ 1,681,068	\$ 5,298	\$ 2,237,339

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2005

Total Fund Balances for Governmental Funds \$ 1,068,653

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	240,172	
Accumulated Depreciation of Assets	<u>(107,149)</u>	133,023

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ -
Compensated absences	-
Bonds payable	<u>-</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,201,676</u></u>
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The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2005

	General Fund	UDAG Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 297,738	\$ -	\$ -	\$ 297,738
Licenses and permits	-	-	-	-
State sources	92,433	-	3,467	95,900
Charges for services	12,211	-	-	12,211
Interest	25,433	74,942	193	100,568
Other	2,519	74,067	-	76,586
TOTAL REVENUES	430,334	149,009	3,660	583,003
EXPENDITURES:				
Current operations:				
Legislative	32,361	-	-	32,361
Elections	4,935	-	-	4,935
General services and administration	346,266	-	-	346,266
Public safety	19,871	-	3,543	23,414
Public works	3,664	-	-	3,664
Community and economic development	-	164,286	-	164,286
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	407,097	164,286	3,543	574,926
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,237	(15,277)	117	8,077
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	23,237	(15,277)	117	8,077
Fund balance, beginning of year	527,736	527,659	5,181	1,060,576
FUND BALANCE, END OF YEAR	\$ 550,973	\$ 512,382	\$ 5,298	\$ 1,068,653

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 8,077

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlays exceeded depreciation in the
current period.

Capital outlays	\$ 6,424	
Depreciation expense	<u>(6,933)</u>	(509)

Some expenses reported in the statement of activities, such as
compensated absences, do not require the use of current financial
resources and therefore are not reported as expenditures in
governmental funds.

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>7,568</u>
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The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2005

	Business - Type Activities Enterprise Funds
	Wastewater Treatment Operating Fund
ASSETS:	
Current Assets:	
Cash and investments	\$ 2,328
Accounts receivable, net	3,570
TOTAL CURRENT ASSETS	5,898
Non-current Assets:	
Capital assets	565,135
Accumulated depreciation	(295,455)
TOTAL NON-CURRENT ASSETS	269,680
TOTAL ASSETS	275,578
LIABILITIES:	
Current Liabilities:	
Accounts payable	2,251
Due to other funds	79,631
Accrued interest payable	725
Current portion of long-term debt	5,070
TOTAL CURRENT LIABILITIES	87,677
Non-current Liabilities:	
Bond payable	52,897
TOTAL NON-CURRENT LIABILITIES	52,897
TOTAL LIABILITIES	140,574
NET ASSETS:	
Invested in capital assets net of related debt	211,713
Restricted - debt service	7,968
Unrestricted	(84,677)
TOTAL NET ASSETS	\$ 135,004

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2005

	Business - Type Activities Enterprise Funds Wastewater Treatment Operating Fund
OPERATING REVENUES:	
Charges for services (net)	\$ 35,916
Other operating revenue	-
TOTAL OPERATING REVENUES	35,916
OPERATING EXPENSES:	
Operating expenses	28,371
Depreciation	11,947
TOTAL OPERATING EXPENSES	40,318
OPERATING INCOME (LOSS)	(4,402)
NON-OPERATING REVENUES (EXPENSES):	
Investment income	-
Interest expense	(3,083)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,083)
INCOME (LOSS) BEFORE TRANSFERS	(7,485)
CHANGE IN NET ASSETS	(7,485)
Net assets, beginning of year	142,489
NET ASSETS, END OF YEAR	\$ 135,004

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2005

	Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 33,554
Other operating revenues	-
Cash payments to employees for services	-
Cash payments to suppliers for goods and services	(28,464)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,090
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash payments for capital assets	-
Equity adjustment for prior accumulated depreciation	-
Interest payments on bonds	(3,144)
Principal payments on bonds	(4,901)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(8,045)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	-
(Additions) deductions to board designated and restricted assets	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,955)
Cash and cash equivalents, beginning of year	5,283
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,328
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (4,402)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,947
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,362)
(Increase) decrease in due from funds	-
Increase (decrease) in accrued interest	-
Increase (decrease) in accounts payable	(93)
NET ADJUSTMENTS	9,492
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 5,090

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	<u>\$ 7</u>
TOTAL ASSETS	<u><u>\$ 7</u></u>
LIABILITIES:	
Due to other funds	<u>\$ -</u>
Due to others	<u> 7</u>
TOTAL LIABILITIES	<u><u>\$ 7</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts — invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Liquor Law Fund*** – Liquor Law Fund is used in cities, villages and townships which do not have a full time police or enforcement department to account for the distribution of State liquor law enforcement money to the local unit of government for enforcing the liquor control act.
- ***UDAG Fund*** – UDAG Fund is used in counties, cities, villages and townships. The local unit may establish an authority under the Economic Development Corporation Act to administer the activities authorized under the Act. The corporation shall be administered by a board of directors appointed pursuant to the requirements of the Act. The fund is used to account for the administration and management of EDC loans to the community.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Wastewater Fund*** – Wastewater Fund is used to record the revenues and expenses for the operation of a sewer system. Capital Assets are recorded within the fund and depreciation is charged.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

- ***Cemetery Trust Fund*** – Cemetery Trust Fund is used to account for money held by the local unit in trust for the perpetual care of cemetery lots. This fund has both an expendable and non-expendable fund balance. The non-expendable fund balance contains the amounts placed with the local unit in trust to be invested. The income earned on the investments would be closed to the expendable fund balance and may be only used for the perpetual care of the cemetery lots.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **UDAG** accounts for the Township's Economic Development Corporation activities.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to June 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the Departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

The composition of cash and investments as reported in the combined balance sheet is presented below:

	Primary Government	Fiduciary Funds	Total
Cash and Investments:			
Unrestricted	\$955,961	\$ 7	\$955,968
Restricted	-	-	-
TOTAL	<u>\$955,961</u>	<u>\$ 7</u>	<u>\$955,968</u>
Composition of Balances:			
Cash in banks	\$940,593	\$ 7	\$940,600
Certificates of Deposit	15,368	-	15,368
Imprest cash	-	-	-
TOTAL	<u>\$955,961</u>	<u>\$ 7</u>	<u>\$955,968</u>

Act 196, PA 1997, authorized the Township to deposit and invest in:

- a. Bonds, securities, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Banker's acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- g. Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- h. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):Deposits

At year-end, the carrying amount of the Township's deposits was \$940,600 and the bank balance was \$957,179. Of the bank balance, \$294,387 was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are related to cash flow issues:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	<u>\$ 79,631</u>	Wastewater Treatment	<u>\$79,631</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2005</u>
GOVERNMENTAL ACTIVITIES:				
Land	<u>\$ 51,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,750</u>
Total Capital Assets, not being depreciated	<u>51,750</u>	<u>-</u>	<u>-</u>	<u>51,750</u>
Buildings and improvements	155,873	-	-	155,873
Furniture and equipment	<u>31,889</u>	<u>6,424</u>	<u>(5,764)</u>	<u>32,549</u>
Total Capital Assets, being depreciated	<u>187,762</u>	<u>6,424</u>	<u>(5,764)</u>	<u>188,422</u>
Less Accumulated Depreciation:				
Buildings and improvements	<u>\$ (81,349)</u>	<u>\$ (3,259)</u>	<u>\$ -</u>	<u>\$ (84,608)</u>
Furniture and equipment	<u>(24,631)</u>	<u>(3,674)</u>	<u>5,764</u>	<u>(22,541)</u>
Total Accumulated Depreciation	<u>(105,980)</u>	<u>(6,933)</u>	<u>5,764</u>	<u>(107,149)</u>
Governmental Activities Capital Assets, Net	<u>\$ 133,532</u>	<u>\$ (509)</u>	<u>\$ -</u>	<u>\$133,023</u>

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

General and Administrative	\$6,933
Public Safety	-
Recreation and Culture	-
Total	<u>\$6,933</u>

NOTE D – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at July 1, 2004	Additions	Disposals	Balance at June 30, 2005
BUSINESS-TYPE ACTIVITIES:				
Land	\$ -	\$ -	\$ -	\$ -
Investment in Treatment Facility	-	-	-	-
Total Capital Assets, not being depreciated	-	-	-	-
Buildings and improvements	-	-	-	-
Equipment	565,135	-	-	565,135
Total Capital Assets, being depreciated	565,135	-	-	565,135
Less Accumulated Depreciation:				
Buildings and improvements	-	-	-	-
Equipment	(283,508)	(11,947)	-	(295,455)
Total Accumulated Depreciation	(283,508)	(11,947)	-	(295,455)
	<u>\$ 281,627</u>	<u>\$ (11,947)</u>	<u>\$ -</u>	<u>\$ 269,680</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Wastewater Treatment Facility	\$11,947
Total Depreciation Expense – Business-Type Activities	<u>\$11,947</u>

NOTE F – LONG-TERM DEBT:

SCHEDULE OF LUCE COUNTY DISPOSAL SYSTEM NO. 1 BOND
June 30, 2005

	September 1	March 31		
	Interest	Principal	Interest	Total
2006	\$1,449	\$ 5,070	\$ 1,449	\$ 7,968
2007	1,322	5,239	1,322	7,883
2008	1,191	5,239	1,191	7,621
2009	1,060	5,239	1,060	7,359
2010	930	5,239	930	7,099
2011	799	5,239	799	6,837
2012	668	5,239	668	6,575
2013	537	5,239	537	6,313
2014	406	5,408	406	6,220
2015	270	5,408	270	5,948
2016	135	5,408	135	5,678
TOTALS	<u>\$8,767</u>	<u>\$ 57,967</u>	<u>\$ 8,767</u>	<u>\$ 75,501</u>

The Bonds originally issued for \$ 136,045 and dated August 1, 1976 mature annually as scheduled above and bears interest at 5% per annum.

NOTE F – LONG-TERM DEBT (Continued):

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Subtractions</u>	<u>June 30, 2005</u>
Business-Type Activities:				
This debt represents the Township's share of the Bond to form the Joint venture in the Village of Newberry Wastewater Treatment Facility.	<u>\$62,868</u>	<u>\$ -</u>	<u>\$4,901</u>	<u>\$57,967</u>
Total Business-Type Activities	<u>62,868</u>	<u>-</u>	<u>4,901</u>	<u>57,967</u>
 TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	 <u>\$62,868</u>	 <u>\$ -</u>	 <u>\$4,901</u>	 <u>\$57,967</u>

NOTE G – RESERVED AND DESIGNATED NET ASSETS:

The Wastewater Treatment Fund has reserved net assets totaling \$ 7,968 which represents the balance available to pay down debt.

NOTE H – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2003 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2004 taxable valuation of the Local Governmental Unit totaled \$ 53,154,500, on which ad valorem taxes levied consisted of 1.0000 mills for the Local Governmental Unit operation purposes. These amounts are recognized in the General Fund financial statements as revenue.

NOTE I – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE J – PENSION TRUST FUND:

The Township has a pension plan for its all full time employees. This plan is a defined contribution pension plan for Michigan Township Employees. Each employee shall be eligible to participate in the Plan upon attaining age 18 and not more than age 75. There is no minimum service requirement. The Township contributes 15% of the employee's annual salary to the Plan. The total contribution for the year ended June 30, 2005 was \$ 24,868.

NOTE K – LAWSUIT:

The Township is currently being sued by the Village of Newberry over the interpretation and continued operation of the joint sewer plant. The Circuit Court ruled in the favor of the Township this past winter. However, the Village is appealing this decision. At this time, the amount of a possible liability is undeterminable at this time.

NOTE L - URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

On July 13, 1985, McMillan Township received an Urban Development Action Grant in the amount of \$1,425,000. Of this amount \$1,395,000 was loaned to Louisiana Pacific Corporation as part of a financing package used to build a fiberboard manufacturing plant. The Corporation repaid this loan in quarterly installments of \$85,320 at 8% for a five year period. The Township retains these funds for future economic development.

The following is a list of notes receivable as of June 30, 2005:

<u>Year Awarded</u>	<u>Debtor</u>	<u>Balance 6/30/05 (Township Share)</u>	<u>Total Loan Amount (Township Share)</u>	<u>Interest Rate</u>	<u>Term In Years</u>
June 1991	Barrett Goodyear Tire Service	\$ 1,114	\$50,000	8%	10
June 1997	Newberry Wood Enterprises	2,606	15,000	8	10*
June 1998	Falls Hotel, Inc.	32,740	41,100	7.5	15*
June 1998	U.P. Trading Company	31,270	51,800	8	15*
June 1998	Carla's Cut & Curl	13,827	22,300	9.25	15*
June 1998	The Pizza Place	48,371	60,000	8.15	15*
June 1998	S & J Archery	35,027	4,500	7.5	5
June 1998	Everson's Furnishings and Upholstery	14,098	22,762	7.5	10
August 1998	Dake Great Lakes Truck Service	40,306	54,750	8.0	15*
February 2001	Northern Casting	266,939	290,250	7.5	15*
April 2001	Luce County Parks and Rec	39,700	85,000	5	10
May 2001	Yoopertinkerville	24,402	32,250	8.5	15*
July 2001	LJ's Family Restaurant	8,826	14,063	8.5	7
February 2002	Plesscher Nursery, Inc.	50,000	50,000	7.5	5
March 2002	NorTek, LLC	68,691	73,800	7.5	20
April 2002	McMillan Township Fire Trucks	236,693	415,000	4.75	16
July 2002	Joel Schultz	15,130	20,000	7.0	15*
February 2003	Dake Great Lakes Training Service	22,510	26,400	8.	10
July 2003	Moose on the Luce	13,156	15,000	7.5	10
September 2003	Village of Newberry	30,000	30,000	5	7
October 2003	Village Inn	5,560	7,500	7.5	15
January 2004	Ben Franklin	28,581	30,000	7.5	15
June 2004	New Ull and Brenda's Bridal	41,458	48,000	8	10*
December 2004	Rome's Auto Repair	29,751	30,000	7.5	20*
April 2005	Mahaffy, Inc.	67,930	68,000	7.5	15*
		<u>\$1,168,686</u>			

* Three Year Balloon

NOTE M – DEFERRED REVENUE:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been made.

The UDAG Fund has reported \$ 1,168,686 which represents the UDAG loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future Township UDAG development.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

Township of McMillan, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ 294,500	\$ 294,500	\$ 297,738	\$ 3,238
State sources	72,000	72,000	92,433	20,433
Charges for services	20,000	20,000	12,211	(7,789)
Interest	23,000	23,000	25,433	2,433
Other revenues	1,000	1,000	2,519	1,519
TOTAL REVENUES	410,500	410,500	430,334	19,834
EXPENDITURES:				
Legislative	33,150	33,150	32,361	789
Elections	6,250	6,250	4,935	1,315
General services and administration	385,100	385,100	346,266	38,834
Public safety	45,000	45,000	19,871	25,129
Public works	105,000	105,000	3,664	101,336
Other	-	-	-	-
TOTAL EXPENDITURES	574,500	574,500	407,097	167,403
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(164,000)	(164,000)	23,237	187,237
OTHER FINANCING SOURCES (USES):				
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(164,000)	(164,000)	23,237	187,237
Fund balance, beginning of year	527,736	527,736	527,736	-
FUND BALANCE, END OF YEAR	\$ 363,736	\$ 363,736	\$ 550,973	\$ 187,237

Township of McMillan, Michigan

UDAG

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 75,000	\$ 75,000	\$ 74,942	\$ (58)
Other revenues	75,000	75,000	74,067	(933)
TOTAL REVENUES	<u>150,000</u>	<u>150,000</u>	<u>149,009</u>	<u>(991)</u>
EXPENDITURES:				
Community and economic development	111,000	164,286	164,286	-
TOTAL EXPENDITURES	<u>111,000</u>	<u>164,286</u>	<u>164,286</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>39,000</u>	<u>(14,286)</u>	<u>(15,277)</u>	<u>(991)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	39,000	(14,286)	(15,277)	(991)
Fund balance, beginning of year, as restated	<u>527,659</u>	<u>527,659</u>	<u>527,659</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 566,659</u></u>	<u><u>\$ 513,373</u></u>	<u><u>\$ 512,382</u></u>	<u><u>\$ (991)</u></u>

Other Supplemental Information

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes:			
Current levy	\$ 80,000	\$ 67,687	\$ (12,313)
Commercial forest reserve	4,500	4,179	(321)
Swamp tax	192,500	192,516	16
Tax collection fees	17,500	33,356	15,856
Total Taxes	<u>294,500</u>	<u>297,738</u>	<u>3,238</u>
State Sources:			
State revenue sharing	72,000	92,433	20,433
Total State Sources	<u>72,000</u>	<u>92,433</u>	<u>20,433</u>
Charges for Services:			
Cemetery services	19,000	10,675	(8,325)
Miscellaneous services	1,000	1,536	536
Total Charges for Services	<u>20,000</u>	<u>12,211</u>	<u>(7,789)</u>
Interest and Rents			
Interest	8,000	8,558	558
Rents	15,000	16,875	1,875
Total Interest and Rents	<u>23,000</u>	<u>25,433</u>	<u>2,433</u>
Other Revenues:			
Miscellaneous other	1,000	1,019	19
Sale of property	-	1,500	1,500
Total Other Revenues	<u>1,000</u>	<u>2,519</u>	<u>1,519</u>
TOTAL REVENUES	<u>410,500</u>	<u>430,334</u>	<u>19,834</u>
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	30,850	30,595	255
Other services and charges	2,300	1,766	534
TOTAL LEGISLATIVE	<u>33,150</u>	<u>32,361</u>	<u>789</u>

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
ELECTIONS:			
Personnel services	\$ 4,000	\$ 3,106	\$ 894
Supplies	2,000	1,789	211
Other services and charges	250	40	210
TOTAL ELECTIONS	<u>6,250</u>	<u>4,935</u>	<u>1,315</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	16,150	16,177	(27)
Supplies	-	-	-
Other services and charges	1,800	1,070	730
Total Supervisor	<u>17,950</u>	<u>17,247</u>	<u>703</u>
Manager:			
Personnel services	23,350	24,112	(762)
Supplies	-	-	-
Other services and charges	1,100	-	1,100
Total Manager	<u>24,450</u>	<u>24,112</u>	<u>338</u>
Professional Services			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	29,500	24,712	4,788
Total Manager	<u>29,500</u>	<u>24,712</u>	<u>4,788</u>
Assessor:			
Personnel services	50,650	46,241	4,409
Supplies	1,500	988	512
Other services and charges	6,300	1,929	4,371
Total Assessor	<u>58,450</u>	<u>49,158</u>	<u>9,292</u>
Clerk:			
Personnel services	27,750	27,297	453
Supplies	1,500	1,403	97
Other services and charges	50,200	37,286	12,914
Total Clerk	<u>79,450</u>	<u>65,986</u>	<u>13,464</u>

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Board of Review:			
Personnel services	\$ 750	\$ 520	\$ 230
Supplies	-	-	-
Other services and charges	100	94	6
Total Board of Review	<u>850</u>	<u>614</u>	<u>236</u>
Treasurer:			
Personnel services	23,350	23,457	(107)
Supplies	3,000	2,927	73
Other services and charges	1,300	1,011	289
Total Treasurer	<u>27,650</u>	<u>27,395</u>	<u>255</u>
Township Hall and Grounds:			
Personnel services	21,400	21,361	39
Supplies	1,000	999	1
Other services and charges	32,000	23,103	8,897
Total Township Hall and Grounds	<u>54,400</u>	<u>45,463</u>	<u>8,937</u>
Cemetery:			
Personnel services	79,850	81,546	(1,696)
Supplies	500	455	45
Other services and charges	12,050	9,578	2,472
Total Cemetery	<u>92,400</u>	<u>91,579</u>	<u>821</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>385,100</u>	<u>346,266</u>	<u>38,834</u>
PUBLIC SAFETY:			
Fire Department:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	45,000	19,871	25,129
Total Fire Department	<u>45,000</u>	<u>19,871</u>	<u>25,129</u>
TOTAL PUBLIC SAFETY	<u>45,000</u>	<u>19,871</u>	<u>25,129</u>

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC WORKS:			
Streets:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	100,000	3,262	96,738
Total Streets	<u>100,000</u>	<u>3,262</u>	<u>96,738</u>
Refuse Collection:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	5,000	402	4,598
Total Refuse Collection	<u>5,000</u>	<u>402</u>	<u>4,598</u>
TOTAL PUBLIC WORKS	<u>105,000</u>	<u>3,664</u>	<u>101,336</u>
TOTAL EXPENDITURES	<u>574,500</u>	<u>407,097</u>	<u>167,403</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(164,000)</u>	<u>23,237</u>	<u>(147,569)</u>
OTHER FINANCING SOURCES (USES):			
Transfers (Out):	-	-	-
Transfers (Out):	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(164,000)</u>	<u>23,237</u>	<u>(147,569)</u>
Fund balance, beginning of year	<u>527,736</u>	<u>527,736</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 363,736</u></u>	<u><u>\$ 550,973</u></u>	<u><u>\$ (147,569)</u></u>

Township of McMillan, Michigan
MAJOR GOVERNMENTAL FUNDS
UDAG

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest:			
Interest income - investments	\$ 10,000	\$ 10,985	\$ 985
Interest income - loans	65,000	63,957	(1,043)
Total Interest	75,000	74,942	(58)
Other Revenue:			
Principal payments	75,000	74,067	(933)
Total Other Revenues	75,000	74,067	(933)
TOTAL REVENUES	150,000	149,009	(991)
EXPENDITURES:			
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Economic Development			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	164,286	164,286	-
Total Economic Development	164,286	164,286	-
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	164,286	164,286	-
TOTAL EXPENDITURES	164,286	164,286	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,286)	(15,277)	(991)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(14,286)	(15,277)	(991)
Fund balance, beginning of year	527,659	527,659	-
FUND BALANCE, END OF YEAR	<u>\$ 513,373</u>	<u>\$ 512,382</u>	<u>\$ (991)</u>

Township of McMillan, Michigan

**NON-MAJOR
GOVERNMENTAL FUNDS**

BALANCE SHEET

June 30, 2005

	Special Revenue Fund Liquor Law Fund	Permanent Fund Cemetery Trust Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 6	\$ 5,292	\$ 5,298
Due from other funds	-	-	-
TOTAL ASSETS	\$ 6	\$ 5,292	\$ 5,298
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Other liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
FUND BALANCE:			
Unreserved	6	5,292	5,298
TOTAL FUND BALANCE	6	5,292	5,298
TOTAL LIABILITIES AND FUND BALANCE	\$ 6	\$ 5,292	\$ 5,298

Township of McMillan, Michigan

**NON-MAJOR
GOVERNMENTAL FUNDS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2005

	Special Revenue Fund Liquor Law Fund	Permanent Fund Cemetery Trust Fund	Total Governmental Funds
REVENUES:			
State sources	\$ 3,467	\$ -	\$ 3,467
Interest	82	111	193
Other	-	-	-
TOTAL REVENUES	3,549	111	3,660
EXPENDITURES:			
General government	-	-	-
Public safety	3,543	-	3,543
TOTAL EXPENDITURES	3,543	-	3,543
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6	111	117
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	6	111	117
Fund balance, beginning of year, as restated	-	5,181	5,181
FUND BALANCE, END OF YEAR	\$ 6	\$ 5,292	\$ 5,298

Township of McMillan, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE

LIQUOR LAW FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State shared revenues	\$ 3,750	\$ 3,467	\$ (283)
Interest	100	82	(18)
TOTAL REVENUES	3,850	3,549	(301)
EXPENDITURES:			
Public Safety:			
Liquor Law Enforcement			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	3,850	3,543	307
Capital outlay	-	-	-
Total Cemetery	3,850	3,543	307
TOTAL EXPENDITURES	3,850	3,543	307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	6	6
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	-	6	6
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ 6	\$ 6

Township of McMillan, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
PERMANENT FUND**

CEMETERY TRUST FUND

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2005

	Cemetery Trust Fund
REVENUES:	
Interest	\$ 111
Other	-
TOTAL REVENUES	111
EXPENDITURES:	
General Government:	
Cemetery	
Personnel services	-
Supplies	-
Other services and charges	-
Capital outlay	-
Total Cemetery	-
TOTAL EXPENDITURES	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111
OTHER FINANCING SOURCES (USES):	
Transfers in	-
Transfers (out)	-
TOTAL OTHER FINANCING SOURCES	-
CHANGES IN FUND BALANCE	111
Fund balance, beginning of year	5,181
FUND BALANCE, END OF YEAR	\$ 5,292

Township of McMillan, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2005

	Trust & Agency Fund	Tax Collection Fund	Total
ASSETS			
Cash and investments	\$ -	\$ 7	\$ 7
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Due to others	-	7	7
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan, Michigan as of and for the year end June 30, 2005, which collectively comprise the Township of McMillan, Michigan's basic financial statements and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of McMillan, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of McMillan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 16, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

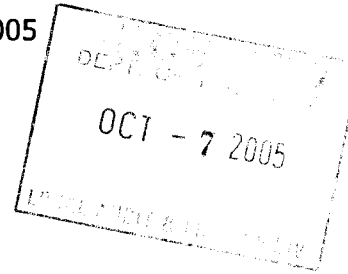
ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

September 16, 2005

To the Honorable Supervisor and Township Board
McMillan Township, Michigan
405 Newberry Avenue
Newberry, MI 49868



We have audited the financial statements of the Township of McMillan, Michigan for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of McMillan, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of McMillan, Michigan are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township of McMillan, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable Supervisor and Township Board
McMillan Township, Michigan

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of McMillan, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of McMillan, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of McMillan, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of McMillan, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township of McMillan, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants